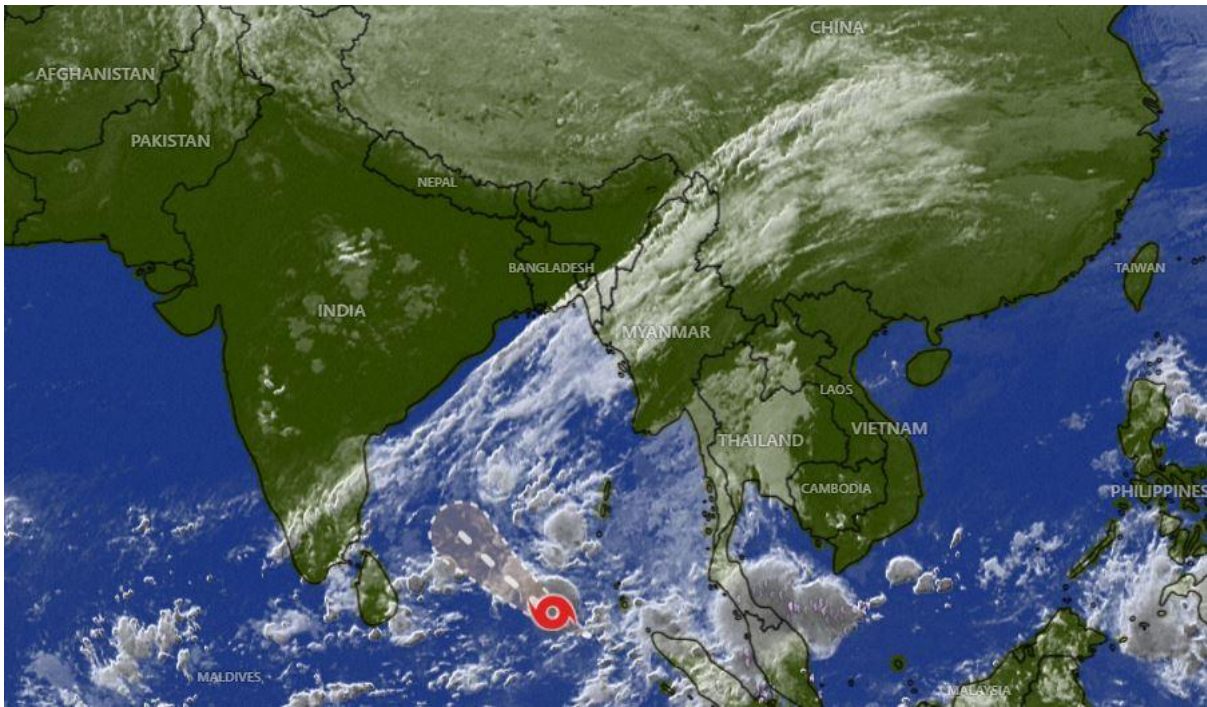


UPSC CURRENT AFFAIRS NOTES 02-12-2023

National Crisis Management Committee (NCMC) meets to review preparedness for impending cyclone 'Michaung' in Bay of Bengal

National Crisis Management Committee (NCMC) under Chairmanship of Cabinet Secretary met today to review preparedness of State governments and Central Ministries/ Departments for impending cyclone 'Michaung' in Bay of Bengal.



Director General, India Meteorological Department (IMD), briefed the Committee about the current status of cyclone 'Michaung'. The depression over Southeast and adjoining Southwest Bay of Bengal moved west-northwestwards with a speed of 13 kmph during past 06 hour and lay centered at 1130 hours IST of today over the same region near Latitude 9.5°N and Longitude 86.0°E, about 730 km east-southeast of Puducherry, 740 km east-southeast of Chennai, 860 km southeast of Nellore, 930 km southeast of Bapatla and 910 km southeast of Machilipatnam.



It is likely to move west-northwestwards, intensify into a Deep Depression by 2nd and further into a Cyclonic Storm over Southwest Bay of Bengal around 3rd December. Further, it would move northwestwards and reach near south Andhra Pradesh and adjoining north Tamil Nadu coasts by 4th December forenoon. Thereafter, it would move nearly northwards almost parallel to south Andhra Pradesh coast and cross South Andhra Pradesh during forenoon of 5th December between Nellore and Machilipatnam as a Cyclonic Storm with a wind speed of 80-90 Kmph gusting to 100 Kmph.

Chief Secretaries of Tamil Nadu, Andhra Pradesh and Odisha and Finance Secretary, Puducherry apprised the Committee of the preparatory measures being taken to protect the public and property in the expected path of the cyclone and measures being taken by the local administration. Fishermen have been asked not to venture out into the sea. Adequate shelters, power supply, medicine and emergency services are being kept in readiness.

National Disaster Response Force (NDRF) has made 18 teams available to Tamil Nadu, Andhra Pradesh, Odisha and Puducherry and 10 additional teams have been kept ready. Rescue and relief teams of the Coast Guard, Army and Navy along with ships and aircrafts have been kept ready on standby.

Reviewing preparedness measures of the central agencies and Governments of Tamil Nadu, Andhra Pradesh, Odisha and Puducherry, Cabinet Secretary stressed that all necessary preventive and precautionary measures should be taken by the authorities of States Governments. The aim should be to ensure that there is no loss of lives and to minimize damage to property and infrastructure. Further, all essential services should be restored in the shortest possible time.

It should be ensured that fishermen at sea return to safety. Safety of manpower deployed in oil rigs, vessels etc. should be ensured. Cabinet Secretary assured the Governments of Tamil Nadu, Andhra Pradesh, Odisha and Puducherry that all the central agencies are ready and will be available for their assistance.

Cyclone Michaung

The National Disaster Management Authority (NDMA) classifies cyclones broadly into two categories: extratropical cyclones and tropical cyclones.

A cyclone is a large-scale system of air that rotates around the center of a low-pressure area. It is usually accompanied by violent storms and bad weather.

As per NDMA, a cyclone is characterized by inward spiraling winds that rotate anticlockwise in the Northern Hemisphere and clockwise in the Southern Hemisphere.

What are extratropical cyclones?

Also known as mid-latitude cyclones, extratropical cyclones occur outside the tropics (that is beyond the areas that fall under the Tropic of Cancer and the Tropic of Capricorn).

They have “cold air at their core, and derive their energy from the release of potential energy when cold and warm air masses interact”, according to the US National Oceanic and Atmospheric Administration (NOAA).

It added that such cyclones always have one or more fronts connected to them.

A front is a weather system that is the boundary between two kinds of air masses, where one front is represented by warm air and the other by cold air.

Such cyclones can occur over land and ocean.

What are tropical cyclones?

Tropical cyclones are those which develop in the regions between the Tropics of Capricorn and Cancer.

They are the most devastating storms on Earth.

Such cyclones develop when “thunderstorm activity starts building close to the center of circulation, and the strongest winds and rain are no longer in a band far from the center,” NOAA noted.

The core of the storm turns warm, and the cyclone gets most of its energy from the “latent heat” released when water vapor that has evaporated from warm ocean waters condenses into liquid water, the agency added.

Moreover, warm fronts or cold fronts aren’t associated with tropical cyclones.

Tropical cyclones have different names depending on their location and strength.

Highlights of Prime Minister Speech at the COP28

Urging countries to rise above self-interest and deliver on all their climate obligations, Prime Minister said that developing countries must get appropriate access to the remaining global carbon budget.



Speaking at the high-level segment of the COP28 meeting in Dubai (UAE), he also proposed to host the 2028 climate change conference, COP33, in India.

India has hosted the annual climate change conference called the conference of parties (COP) of the UNFCCC once earlier - COP8 in 2002.

Then, the scale of this conference used to be much smaller unlike the most high-profile annual event that it has evolved into now, attracting the attendance of over 100 heads of states and governments, etc.

India was among very few large economies which were on track to fulfil their climate commitments.

The global climate initiatives India had launched are -

- International Solar Alliance,
- Coalition of Disaster-Resilient Infrastructure,



- Lifestyle for Environment (LiFE) Campaign and
- Decisions like Renewable Energy Tripling and Global Biofuels Alliance taken by the G20 summit under India's presidency.

The Indian Environment Ministry recently launched Green Credits Initiative, which provides a way for incentivising environmental actions by offering green credits for projects that help the environment in any way.

In its first round, activities in water conservation and afforestation would be acknowledged.

Highlights of PM Modi's Speech at the COP28:

The world does not have much time to correct the mistakes of the previous century. The world also will have to be ambitious (in our climate actions).

Countries need to rise above their narrow self-interests, and fulfil all their climate obligations.

The energy transition (that is required) has to be just, inclusive, equitable and innovative.

The world must develop innovative technology and the developed countries must agree to transfer this technology to others.

India's Green Credits Initiative (is a pro planet, proactive and positive initiative) is something that the entire world should adopt.

It is an alternative market-based mechanism that prioritises public participation in environment positive projects.

India Raising Common Concerns of the Developing Countries at the COP28:

The Indian PM repeatedly referred to 'Global South' as he called for more climate finance, technology, and carbon space during his speeches at the COP28 meeting.

Global South is a new term for developing countries that does not refer to geographical north or south of the equator.

India has held two Voice of Global South Summits this year in an effort to take leadership of the developing countries, and amplify their concerns at international forums.



The countries of the Global South (including India) have contributed very little in causing climate change. Yet, the adverse impacts of climate change affect them the most.

Despite lack of adequate resources, these countries have committed themselves to take climate action. But to fulfil their objectives, the Global South needs climate finance and technology.

This is natural and justifiable too for the Global South to expect that developed countries help them in the fight against climate change.

Issue of Climate Finance and Climate Budget Raised at the COP28:

The G20 meeting had agreed that 2030 climate action requires trillions of dollars in climate finance.

This climate finance has not only to be made available, but it must also be accessible and affordable (to the countries of Global South).

The Indian PM welcomed the operationalisation of the loss and damage fund on the opening day of COP28.

There is a hope that -

The COP28 would show real progress on the New Collective Quantified Goal (a new target in the place of US\$ 100 billion per year from 2025 onwards) on Climate Finance.

The Green Climate Fund and Adaptation Fund must not be starved of money, and they should also be replenished immediately.

The Multilateral Development Banks should assure that they would provide affordable finance, not just for development projects, but also for climate action.

The developed countries would diminish their carbon footprint by 2050.

The Indian PM also stressed that developing countries must get to utilise an appropriate share in the fast-depleting carbon budget.

Carbon budget is the amount of GHG emissions that science says can be allowed without breaching the 1.5-degree Celsius temperature target.

Clearing Corporation of India Limited (CCIL)

The Reserve Bank of India (RBI) and the Bank of England (BoE) recently signed a Memorandum of Understanding (MoU) for cooperation and exchange of information in relation to the Clearing Corporation of India Limited (CCIL).

About Clearing Corporation of India Limited (CCIL):

It was set up in April 2001 to provide guaranteed clearing and settlement functions for transactions in money, G-Secs, foreign exchange, and derivative markets.

CCIL also provides non-guaranteed settlement for Rupee interest rate derivatives and cross-currency transactions through the CLS Bank.

Promoters: State Bank of India, IDBI Bank Ltd, ICICI Bank Ltd, Life Insurance Corporation of India (LIC), Bank of Baroda and HDFC Bank Ltd.

The company was incorporated with an authorised equity share capital of Rs. 50 crores.



CCIL's adherence to the stringent principles governing its operations as a Financial Market Infrastructure (FMI) has resulted in its recognition as a Qualified Central Counterparty (QCCP) by the Reserve Bank of India in 2014.



It has also set up a Trade Repository to enable financial institutions to report their transactions in Over-the-Counter (OTC) derivatives.

Through its fully owned subsidiary, Clearcorp Dealing Systems Limited (CDSL), CCIL has introduced various platforms for the electronic execution of deals in various market segments.

Further, CDSL has developed, implemented, and manages the NDS-OM, the RBI-owned anonymous electronic trading system for dealing in G-Secs and also for reporting OTC deals, as well as the NDS-CALL platform, which facilitates electronic dealing in the Call, Notice & Term Money market.

CCIL is also the trade repository for all OTC transactions in the Forex, Interest Rate and Credit derivative transactions.

What is CLS?

Continuous Linked Settlement (CLS) is an initiative by a consortium of the world's largest foreign exchange clearing banks to eliminate the settlement risk in foreign exchange transactions.

The CLS system is run by CLS Bank International, which is solely dedicated to settling foreign exchange trades.

The CLS Bank was established in 2002 and is owned by the world's largest banks. It is based in New York, with its main operations in London.

Working:

Standard foreign exchange transactions involve a settlement risk. As the exchange of the two currencies involved is not simultaneous, the party that sells a currency before receiving the currency purchased from the counterparty is exposed to a certain risk.

CLS removes settlement risk by using a payment-versus-payment mechanism ("PVP"). This means that you get paid only if you pay.

On settlement day, each counterparty to the trade pays to CLS the currency it is selling.

CLS pays out the bought currency only if the sold currency is received.

In effect, CLS acts as a trusted third party in the settlement process.



It's important to note that CLS is not a central counterparty; the trade remains between the two counterparties.

Stay Order

The Supreme Court recently agreed to review its 2018 judgement on the expiry period of stay orders to expedite trial proceedings.

About the Stay Order:

A 'stay' or 'stay order' is defined as the act of temporarily stopping or postponing any judicial proceeding through the court or legal authorities in India to secure the rights of a citizen.

It could lead to the suspension of a case or even the suspension of any specific proceeding within an ongoing case.

So, till a stay order is in effect, the operation of the Court's proceedings is made standstill, and the party who seeks it can cause the operation of the other party (against whom the order is given) to cease.

In the case of any key development that may require it, a judge may decide to issue a stay order without even formally prompting the other party or even a request being made to them in this regard.

There are two types of stay orders: 'stay of proceedings' and 'stay of execution'.

A stay of proceedings is issued by the court in case there are parallel proceedings that take place, which may affect either one.

A stay of execution refers to the complete halting of the enforcement of a verdict or judgement against someone, for example, when it is believed that a person is innocent and is given a pardon.

This means that stay orders can persist conditionally or even absolutely.

The Supreme Court on March 28, 2018, passed several directions with regard to stay orders, applicable to both civil and criminal matters, which are as follows:

In all pending cases where a stay is granted and is operating, the stay will come to an end on expiry of 6 months from March 28, 2018, unless, in exceptional cases, a speaking order extends the stay.

In cases where the stay is granted in the future, e., after March 28, 2018, the stay order will expire 6 months from the date of such order, unless an order of extension is granted by a speaking order.

The speaking order granting an extension must show that the case was of such an exceptional nature that continuing the stay was more important than having the trial finalised.

The trial court may fix a date not later than 6 months from the date of the stay order.

On the expiration of the period of 6 months, the trial court will resume the proceedings without waiting for any other intimation unless an express order extending the stay is produced.

The GDP Surprise: India on the Up and Up

The Indian economy expanded by a staggering 7.6 per cent in the second quarter of the ongoing financial year. The economy has now grown at 7 per cent plus for two straight quarters.





This raises a serious question over the accuracy of forecasts that have been continuously casting doubt on India's macroeconomic resilience post the pandemic.

Major Factor Behind the Growth Rate: Manufacturing Sector

The manufacturing sector grew at a robust 13.9 per cent in the second quarter, compared to 4.7 per cent in the first quarter.

Growth in the second quarter was at a nine-quarter high.

Contributing Factors to Manufacturing Uptick

This uptick in manufacturing is triggered by a group of policy initiatives, ranging from steady government capital expenditure, the PLI scheme (ensuring export competitiveness in specific sectors).

Also, the formalisation drive in both MSMEs (Udyam) and the labour force (e-shram), and the stabilisation in incremental credit deployment helped manufacturing sector and it gained momentum.

Analysis of Other Contributing Factors

Corporate Financial Health and Bottom-Line Growth

The corporate books remain healthy, indicating stability and resilience in the business sector.

The bottom line has shown impressive growth, recording a 31% increase in the second quarter, consistent with the robust 30% growth observed in the first quarter.

The growth in the bottom line has outpaced the top-line growth, indicating effective cost management or increased efficiency in operations.

This suggests that companies are not solely relying on increased revenue but are also optimising their operations to enhance profitability.

Broad-Based Growth

The growth observed is broad-based, indicating that various sectors within the corporate landscape are experiencing positive trends

This diversified growth is a positive sign for overall economic health.

Noteworthy Growth in FMCG Sector: The FMCG sector, often considered a barometer of rural consumption, reported a noteworthy 5% revenue growth.



Stellar Turnaround in Rural Demand

The positive performance of the FMCG sector is indicative of potential improvements in rural demand and consumption trends.

This shift is a positive signal for the broader economy, as rural areas are crucial contributors to overall economic activity.

Historic Capex Intentions

In the fiscal year 2022-23, historic capex intentions have been witnessed, with new investment announcements reaching Rs 37 lakh crore.

This marks a substantial increase from Rs 20 lakh crore in the previous fiscal year (2021-22), indicating a significant boost in planned capital expenditures.

The surge in capex is notable for increased private sector participation, signalling confidence and active involvement from non-government entities in economic development.

Key Industries Witnessing New Investment Announcements

These include roadways, iron and steel, basic chemicals, real estate, non-conventional energy, electronics, automobiles, hydel-based power, data centres, and power distribution.

The diversity of sectors involved suggests a comprehensive effort to stimulate growth across various segments of the economy.

Continued Investment Momentum: In the first half of the year, investment momentum persisted, with approximately Rs 15 lakh crore in new announcements, reflecting an 8% increase compared to the previous year.

Improved Corporate Balance Sheets

Sectors such as auto components, gas distribution utilities, telecommunication services, hotels, restaurants, leisure, retailing, and NBFCs are experiencing higher credit rating upgrades compared to downgrades.

This trend suggests that corporate balance sheets are showing improvement across these sectors, fostering a positive economic environment.

Agricultural Sector

Despite steady growth during the pandemic, the agricultural sector expanded by only 1.2% in the second quarter.



Subdued growth is anticipated due to factors such as a weak monsoon, leading to lower-than-normal kharif crop output and delays in harvesting, impacting rabi crop sowing.

However, the share of allied activities within the farm sector, including dairy and fisheries, has increased from 34.6% in 2011-12 to 46.1% in 2021-22.

This diversification is seen as a positive sign, providing a counter-cyclical buffer, and reducing dependence on farm income.

Transformation in Agri Financing by Banks: Banks have started financing the entire agri value chain, with agri loans increasing by 15.4% in 2022-23, compared to around 10% in the previous two years.

Services Sector Growth

The services sector growth moderated to 5.8%, primarily due to low growth in trade, hotels, transport, and communication.

However, on a sequential basis, the sector expanded by 9%, exceeding the average 1.3% decline in the second quarter of every fiscal year until the pandemic, indicating a healthy performance.

Private Consumption Performance

Private consumption decelerated to 3.1%, potentially influenced by higher inflation.

On a sequential basis, growth increased by 2%, countering the typical 1% decline in the second quarter of every fiscal year until the pandemic.

Government Consumption and Investments

Government consumption and investments recorded healthy growth, with gross fixed capital formation increasing by 11%.

This growth is propelled by strong capital expenditure by both the Centre (49% of budgeted target) and states (32% of budgeted) in the first half of the current fiscal year.



Future of Economic Momentum in the Short to Medium Term

Positive Economic Indicators

Despite a historical downward bias in growth forecasts, the current assessment is more optimistic, with a forecasted GDP growth for the full year at 7%, up from the previous estimate of 6.7%.

The agricultural sector is experiencing challenges due to a weak monsoon, but the diversification into allied activities and increased financing for the entire agri value chain present positive signs.

Potential Risks

Global Economic Headwinds: The major risk identified is the potential impact of much softer global growth, with worsening consumer sentiments in the US and the Euro region.

Uncertainty Surrounding Consumer Sentiments: Consumer sentiments have worsened, adding an element of uncertainty to the global economic landscape. This could potentially impact demand for Indian exports and overall economic stability.